

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA



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Application of Pacific Gas and Electric  
Company to Revise Its Electric Marginal  
Costs, Cost Allocation, And Electric  
Rate Design. (U39M)

Application No. 16-06-013  
(Filed June 30, 2016)

**PROTEST  
OF THE OFFICE OF RATEPAYER ADVOCATES**

**I. INTRODUCTION**

Pursuant to Rule 2.6 of the Commission's Rules of Practice and Procedure, the Office of Ratepayer Advocates ("ORA") hereby protests the Application of Pacific Gas and Electric Company ("PG&E") for authority to revise its electric Marginal Costs, Revenue Allocation, and Electric Rate Design ("Application"). This is considered Phase II of PG&E's General Rate Case ("GRC") for test year ("TY") 2016. PG&E filed its GRC Phase I for TY 2015 in Application ("A.") 15-09-001, where the revenue requirement is litigated. Phase II is the forum to determine how the revenues will be allocated among customer classes and how the rates for each class should be designed.

PG&E filed its application on June 30, 2016. Notice of the filing of the Application first appeared in the Commission's Daily Calendar on July 14, 2016, and therefore, this protest is timely filed.

**II. ISSUES TO BE ADDRESSED IN THIS PROCEEDING**

In A.16-06-013, PG&E made proposals to revise its marginal costs, which are inputs for determining the interclass revenue allocation. PG&E states that it is limiting changes to customer class revenue allocations because of the significant rate design changes that are occurring in other proceedings such as changing Time of Use periods

and residential rate design reform. However, PG&E proposes several other changes including rate design changes, and economic development rate program modifications. In addition, PG&E presents a proposal regarding what should be considered fixed costs for residential customers.

ORA is conducting discovery on the issues that should be within the scope of this proceeding and will make recommendations to the Commission as necessary during the course of the proceeding. ORA will investigate and fully analyze all aspects of PG&E's proposals that are deemed to be within the Scope of this Proceeding. Discovery and analysis may eliminate some of these issue areas and others may arise.

#### **A. Marginal Costs**

PG&E has presented proposals to update marginal distribution and generation costs, and proposed to modify the method for calculating marginal customer costs. Marginal costs are important inputs for determining the interclass revenue allocation. PG&E's proposal contains the following elements:

- Marginal generation costs based on publicly available inputs and models.
- Generation capacity costs based on the costs of an existing combined cycle plant for the years 2017 to 2022.
- Hourly marginal energy costs based on projected market heat rates at the PG&E default load aggregation point ("DLAP") adjusted by natural gas price, GHG allowance, etc., for the year 2020.
- Marginal distribution capacity costs calculated using the Discounted Total Investment Method ("DTIM") instead of the National Economic Research Associates' ("NERA") regression method.
- Marginal customer costs calculated using the Rental Method rather than the One-Time Hookup Cost (or "New Customer Only") method.

ORA will review these proposals, analyze the reasonableness of the data used by PG&E, perform its own marginal cost analysis, and make recommendations. An accurate estimate of marginal costs is essential because it impacts how costs are allocated to customer classes.

## **B. Revenue Allocation**

Revenue allocation is a process that determines the proportion of the revenue requirement assigned to each customer class. In this Application, PG&E is proposing to retain the current allocation of distribution and generation revenue requirements in order to minimize the number of changes in this proceeding.”<sup>1</sup> PG&E also proposes changes to the allocation of Public Purpose Program (“PPP”) costs, and makes a proposal to allocate revenue requirement changes between GRC Phase II proceedings.

ORA will evaluate PG&E’s proposals and provide its own revenue allocation proposals.

## **C. Rate Design Issues**

### **1. Residential Rate Design Issues**

Most residential rate design issues are covered in the Residential Rate Design OIR, R.12-06-013. PG&E proposes the following changes to its Residential Rate Design Proposals:

- Update residential electric baseline quantities using the average from October 2011 through September 2015, and reflecting a four-month summer season and eight-month winter season.
- Propose modifications to the baseline allowances in selected climate zones.
- Modify medical baseline rates.
- Update rates for existing residential Time of Use (“TOU”) rate schedules.
- Propose a new, optional TOU rate schedule with a maximum non-coincident demand charge and fixed customer charge.
- Update the electric master meter discounts for Schedules ES, ESL, ET, and ETL using recent data and the current methodology.

### **2. Small Commercial Rate Design Issues**

PG&E proposes the following changes to its Small Commercial Rate Design Proposals:

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<sup>1</sup> See Exhibit PG&E-1, p. 3-1, lines 11 to 14.

- Increase the A-1 and A-6 customer charges.
- Maintain 75kW as the boundary between the small (A-1) and medium (A-6) commercial customers.
- Increase TOU differentials in schedule A1-TOU and decrease TOU differentials in schedule A-6.
- Establish an optional TOU rate, A1-DMD, with a maximum (or non-coincident) demand charge and TOU price differentials set equal to the marginal generation costs.

#### **D. Economic Development Rates**

PG&E proposes to extend its current Economic Development Rate (“EDR”) program through the end of 2020 and maintain most of the terms and conditions of the program. PG&E proposes to increase the program cap for these discounts from 200 MW to 400 MW, and further proposes an “... option to increase the program cap by another 200 MW through the submittal of a Tier 2 Filing to the commission if the remaining load space is insufficient to maintain a viable program through December 31, 2020.”<sup>2</sup> ORA will review PG&E’s EDR program, make its own contribution to margin (“CTM”) calculations, and provide recommendations regarding PG&E’s EDR program.

#### **E. Fixed Cost Proposal**

Currently, PG&E is not authorized to implement a fixed customer charge representing fixed costs for its residential customers. In the instant proceeding, PG&E asserts new customer charges should be imposed to recover fixed costs and presents testimony on the following fixed cost-related topics in its testimony:

- “The categories of fixed costs that are appropriate to collect through a fixed charge in residential electric rates.
- The methodology for calculating monthly fixed charges for residential customers based on the approved fixed cost categories.
- Whether or not fixed charges should differ between small and large customers.

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<sup>2</sup> See Exhibit PG&E-1, p.11-6, lines 15 to 17.

- The process for developing the plans for Marketing, Education, and Outreach (“ME&O”) for fixed charges.”<sup>3</sup>

PG&E also proposes that the fixed cost issue be examined in a separate phase of this GRC Phase II proceeding, with a separate timeline. PG&E further states that hearings are not necessary to decide this issue.

ORA will provide analysis on the fixed costs and residential customer charge issues. ORA does not oppose creating a separate phase to examine this fixed costs assuming the schedules for all phases of the proceeding allow ORA sufficient time to present its analysis and recommendations. Moreover, hearings may be necessary to resolve this issue.

### **III. CASE CATEGORIZATION AND SCHEDULING**

ORA agrees with PG&E that the proceeding should be categorized as Ratesetting. Hearings will likely be necessary for the majority of the issues in this proceeding, particularly for the fixed cost components issue. ORA presents below its proposed schedule with modifications to PG&E’s recommended schedule. ORA’s proposed schedule would allow adequate time to perform its investigation and discovery, and to present testimony.

ORA’s rate design staff of six persons are working concurrently on multiple other proceedings, including the Residential Rate Design Order Instituting Rulemaking (“OIR”), R.12-06-013 (multiple tracks of working group collaboration), the San Diego Gas & Electric (“SDG&E”) GRC Phase II, A.15-04-012, the TOU OIR, R.15-12-012, and other proceedings. The additional time reflected in ORA’s proposed schedule below is necessary to allow for robust analysis that will provide the Commission with a more complete record.

ORA’s proposed schedule takes into account the extraordinary number of rate design workshops and proceedings that are currently active. Furthermore, the Residential Rate Design OIR has added an additional phase to this proceeding to examine residential

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<sup>3</sup> See Exhibit PG&E-2, Appendix F, pp. F-3 to F-4.

class fixed costs. This is part of the process the Commission adopted in D.15-07-001 for continuing the examination of residential customer charges. This phase adds substantially more work and complexity to this proceeding and thus requires more time in the schedule. ORA's schedule provides sufficient time to fully examine the many important issues in PG&E's application. PG&E's schedule, which is already outdated, does not provide enough time for intervenors to review PG&E's proposal including conducting discovery and preparing testimony. For example, ORA did not receive PG&E's work papers and Master Data Request responses until August 11, approximately six weeks after PG&E filed its testimony. The delay should not be taken out of the time allotted to ORA to complete its analysis. The following table presents ORA's proposed schedule:

<b>Events</b>	<b>PG&amp;E's Proposed Schedule</b>	<b>ORA's Proposed Schedule</b>
PGE Files application	June 30, 2016	
Protest due	August X, 2016	August 15, 2016
PGE Replies to protest		August 29, 2016
Agricultural Balancing Account Study and Party Evaluations	August 30, 2016	August 30, 2016
Prehearing Conference	Late August, 2016	Mid Sept
First Workshop on Fixed Charge Cost Components	September 13, 2016	September 20, 2016
Post Workshop Comments?		Oct 4, 2016
Second Workshop on Fixed Charge Cost Components	Early Oct 2016	Oct 11, 2016
Post Workshop Comments?		Oct 25, 2016
Third Workshop on Fixed Charge Cost Components	Late October 2016	Nov 1, 2016
PG&E updates exhibits	By Mid-October 2016	
Other parties serve written comments in response to PG&E's Report on fixed charge cost components	Mid-November, 2016	Mid Dec. 2016

IOUs and other parties file reply comments on fixed cost components <i>(This bifurcated issue could now be submitted for decision based on filed Comments)</i>	Mid-December, 2016	Mid Jan 2017
<i>Hearing on Fixed Charge components Issue if Needed</i>	January 2017	Feb 22-24
ORA serves non-fixed cost testimony	December 1, 2016	Feb 15, 2017
Intervenors serve testimony (on all issues except fixed cost components)	Mid-January, 2017	March 15, 2017
Mandatory Settlement Conference #1	December 6, 2016	Late March 2017
ALJ Issues Proposed Decision on fixed charge methodology issues	Mid-March, 2017	April/May 2017
Mandatory Settlement Conference #2	Late January 2017	Late April 2017
All parties serve Rebuttal Testimony	Mid-March, 2017	Mid May 2017
Second Prehearing Conference	March 23, 2017	?
Opening Comments on PD on fixed charge cost components	April 3, 2017	Two Weeks after PD is issued
Reply Comments on PD on fixed charge cost components	April 10, 2017	Two weeks after Opening Comments
Evidentiary Hearings begin (on non-fixed cost component issues)	April 17, 2017	Mid June 2017
Evidentiary Hearings end	April 28, 2017	Late June 2017
Opening Briefs due (on all issues except residential fixed charge cost components)	May 19, 2017	July 21, 2017
Reply Briefs due	June 8, 2017	August 4, 2017
Proposed Decision (on all issues except fixed cost components, which would have had a PD in March, 2017)	Early September 2017 Opening Comments – Late September 2017 Reply Comments – Early-October 2017	Late October or early November Opening comments two weeks after PD. Reply comments two weeks after opening comments.
Final decision on all issues other than cost components for a potential future residential fixed charge	October 2017	December 2017.

#### **IV. CONCLUSION**

ORA recommends and respectfully requests that the Commission adopt ORA's proposed schedule as set forth above.

Respectfully submitted,

/s/ Nicholas Sher

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